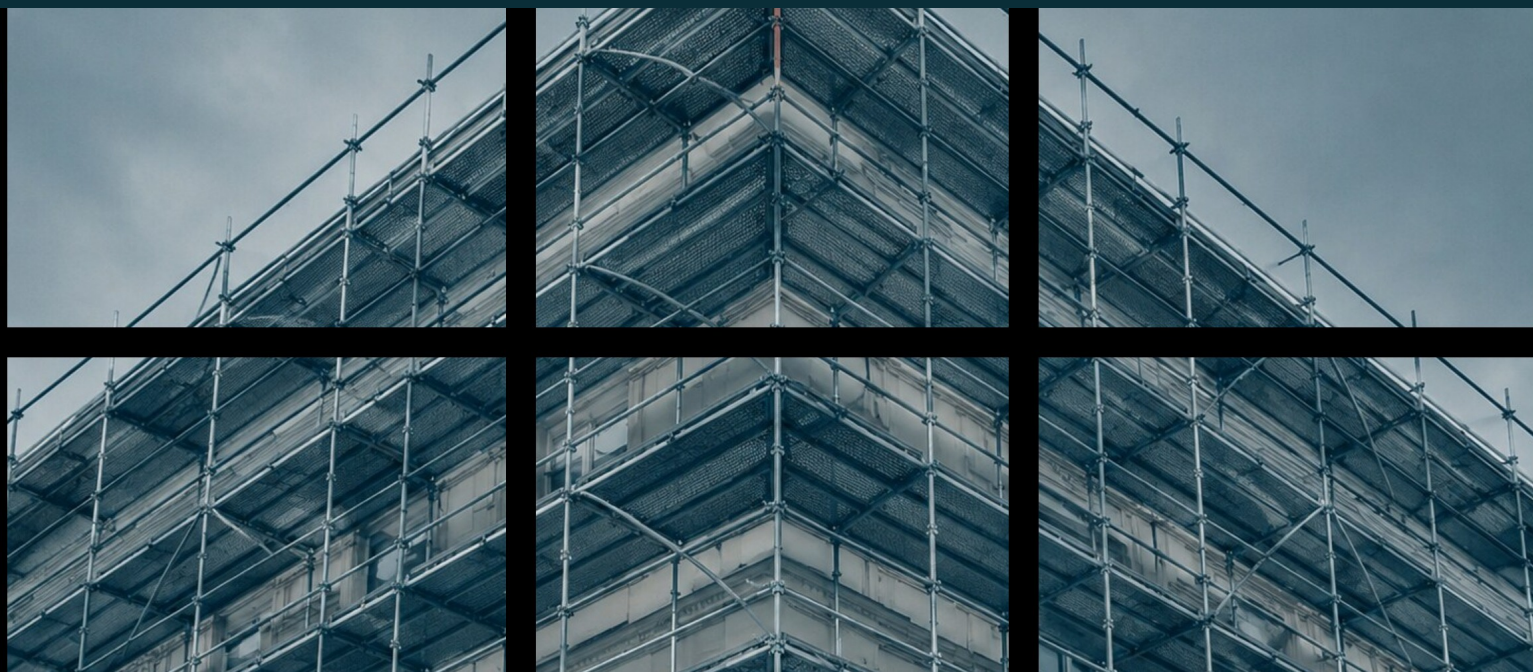


BEYOND THE STAGE GATE

Governing What You Do Not Yet Understand — Why Innovation Defeats Traditional Governance

A Practitioner's Perspective on the Structural Incompatibility Between Innovation and Control



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“The organisations that governed innovation most effectively were, paradoxically, the ones that governed it least – or rather, governed it differently, with instruments designed for uncertainty rather than compliance.”

1. The Governance Reflex

There is a pattern that recurs with striking consistency across large organisations attempting to innovate. A new initiative is launched – an exploration of a different business model, a technology pilot, an experiment with a novel way of serving customers. It begins with energy and executive sponsorship. And then, within weeks, sometimes days, the governance machinery engages. Reporting templates arrive. Stage gates are imposed. The initiative is asked to produce a business case with a three-year net present value before it has established whether the underlying hypothesis is even valid.

The result is predictable. The initiative either dies under the weight of premature accountability, or it learns to game the system – producing the artefacts governance demands while quietly doing something different underneath. Neither outcome serves the organisation well. The first kills genuine exploration. The second creates a shadow economy of innovation that operates outside any meaningful oversight, which is precisely the risk governance was supposed to mitigate.

This is not a failure of intent. The executives who impose these controls are not hostile to innovation. They are applying the only governance model they know – one designed for the management of predictable, well-defined programmes of work. The problem is that innovation is none of those things.

2. Why Traditional Governance and Innovation Are Structurally Incompatible

The governance frameworks that dominate large organisations – and have done for the better part of two decades – are built on a set of assumptions that hold true for operational delivery but collapse entirely when applied to exploratory work.

The first assumption is that the outcome can be defined in advance. Traditional governance asks: what will this initiative deliver, by when, and at what cost? These are reasonable questions when the scope is known. They are unanswerable – and worse, misleading – when the purpose of the initiative is to discover whether an opportunity even exists.

The second assumption is that progress is linear and measurable. Stage gates, milestone reviews, and RAG status reports all presuppose a trajectory from inception to delivery.

Innovation does not follow a trajectory. It follows a search pattern — iterating, pivoting, discarding, and occasionally converging on something valuable. A stage gate that asks whether the initiative is "on track" is asking the wrong question entirely.

The third assumption is that risk is reduced by increasing control. In operational delivery, tighter controls generally do reduce risk. In innovation, they increase it — because the primary risk is not that the initiative will deviate from plan, but that the organisation will fail to learn fast enough to identify the opportunities and threats that matter.

The fundamental error is applying a governance architecture designed to minimise deviation to an activity whose entire value lies in deviation.

3. The Cost of Getting This Wrong

The consequences of governing innovation with operational governance are not abstract. They manifest in specific, observable ways that most senior leaders will recognise.

Premature commitment. When governance demands a detailed business case before exploration has begun, organisations are forced to commit to a specific direction too early. The business case becomes a political document — a justification for funding — rather than an honest assessment of what is known and unknown. Once committed, the organisation finds it almost impossible to pivot, because the governance framework treats any deviation from the approved plan as a failure requiring escalation.

Innovation theatre. Organisations that cannot reconcile governance with genuine exploration often develop a performative innovation culture. Labs are established. Hackathons are run. Innovation directors are appointed. But the underlying governance model remains unchanged, and so the innovations that survive the process are precisely those that least challenge the status quo — incremental improvements dressed in the language of transformation.

The portfolio blind spot. Perhaps most damaging is the effect on portfolio-level decision-making. When every innovation initiative is forced through the same governance lens as every operational programme, the portfolio view becomes meaningless. A genuine experiment with a ten percent chance of transformative impact is assessed on the same scorecard as a systems upgrade with a ninety percent chance of modest efficiency gains. The result is a portfolio that optimises for certainty and systematically under-invests in the uncertain but potentially significant.

4. What Alternative Governance Looks Like

The organisations that have found a workable answer — and in my experience there are fewer of them than the management literature suggests — have not abandoned governance. They have built a parallel governance architecture that operates alongside the traditional model, with different instruments, different cadences, and different criteria for success.

The characteristics of effective innovation governance, as I have observed them, share several common features.

4.1 Hypothesis-Based Accountability

Instead of asking "what will you deliver?", effective innovation governance asks "what are you trying to learn?" Each cycle of work is framed around a hypothesis — we believe that X is true, and we will test this by doing Y, measuring Z — and the governance review assesses whether the hypothesis was tested rigorously and what was learned, not whether the initiative hit a predetermined milestone.

This is a fundamental shift. It means that an initiative which conclusively disproves its hypothesis and recommends termination has succeeded from a governance perspective. Under traditional governance, the same outcome would be recorded as a failure.

4.2 Funding in Tranches, Not Budgets

Traditional governance allocates a budget at the outset, typically annual, and monitors spend against that allocation. Innovation governance funds in small tranches — enough to test the next hypothesis, no more. Each tranche decision is a genuine decision point: continue, pivot, or stop. This is not merely a financial mechanism. It is a governance mechanism, because it forces a regular, honest conversation about whether the initiative is generating learning that justifies continued investment.

4.3 Tolerance for Ambiguity in Reporting

The reporting instruments of traditional governance — RAG statuses, milestone trackers, earned value analyses — are designed to compress complex situations into simple signals. This works when the situation is genuinely simple, or at least well-understood. For innovation, it produces a false clarity that is worse than no reporting at all.

Effective innovation governance uses richer, more narrative reporting instruments. What did we expect to find? What did we actually find? What has changed in our understanding of the opportunity? What are the open questions? These are harder for a governance board to process than a RAG status, but they are the questions that actually matter.

4.4 Separation of Innovation Governance from Operational Governance

The most consistent structural pattern I have observed is a deliberate separation of the governance bodies themselves. Innovation initiatives report to a different forum — sometimes a dedicated innovation board, sometimes a subset of the executive team with a specific innovation mandate — with different membership, different meeting cadences, and critically, different decision-making criteria.

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This separation is not about creating a governance-free zone. It is about ensuring that the people making governance decisions about innovation are equipped and mandated to make those decisions on the right basis — learning velocity and strategic optionality rather than schedule adherence and budget variance.

5. The Deeper Problem: Governance as Identity

There is a reason this problem persists even in organisations that intellectually understand it. Governance is not merely a set of processes. It is an expression of organisational identity — of what the organisation values, how it makes decisions, and how it holds people accountable. Changing governance is therefore not a process redesign exercise. It is a cultural intervention.

The executives who sit on governance boards have typically built their careers within the logic of traditional governance. They understand it. They trust it. Asking them to govern innovation differently is asking them to suspend the very instincts and judgements that made them successful. This is not a criticism — it is a recognition of why the problem is so resistant to solution.

In my experience, the organisations that have made progress have done so not by training executives in innovation governance, but by creating protected spaces where a different governance logic can operate — and then allowing the results to build the case for broader change. The innovation governance model earns its legitimacy through outcomes, not through edict.

6. The Question That Remains

The challenge for most organisations is not whether to govern innovation differently — the intellectual case is well established. The challenge is whether they can sustain two governance logics simultaneously without one consuming the other. The gravitational pull of traditional governance is immense. It has institutional momentum, established processes, and the weight of familiarity behind it.

The organisations that navigate this successfully treat the tension as a permanent feature rather than a problem to be solved. They do not attempt to merge the two models or to evolve one into the other. They maintain the duality deliberately, accepting the overhead and the occasional friction as the price of being able to both exploit what they know and explore what they do not.

This is uncomfortable. It requires leaders who can operate in both modes — who can demand rigorous accountability for operational delivery in one meeting and tolerate genuine ambiguity about innovation outcomes in the next. It requires governance professionals who can design and operate two parallel systems without privileging one over the other. And it requires an organisational culture that can hold the tension between control and exploration without collapsing into one or the other.

Whether most organisations are capable of this remains, in my view, an open question. But the alternative — continuing to govern innovation with instruments designed for predictability — is not a viable answer. The evidence of two decades is clear: it produces compliance without discovery, and accountability without learning. And in a world where the capacity to explore the unknown is increasingly a condition of survival, that is a governance failure of the first order.